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## Essay:

# Privatization of Public Services Beneficial or Detrimental to Developing Countries?

## Outline :

① Introduction :

② The Neoliberals Privatization Reforms as One-Window Solution to Economic Woes :

③ Detrimental Implications of Privatization on Developing Countries :

i. Practical Limitations of Privatization in Addressing Economic Crisis :

- a. Failed Privatization Attempts in Iran.
- b. Crony Capitalism Counterproduction evident in Bangladesh.
- c. Russia's chaotic deregulation and reversal.

ii. Privatization Brewing Governance Challenges, Undermining Writ of State :

- a. Privatization welcomes elite captures
- b. Goods and Services decline in quality and quantum - PCL case
- c. Job losses and societal discontent

### iii - Exacerbating Social, Class, and Gender Inequalities; Privatization Recipe to Disaster:

- a. Marxist critique of private ownerships and profit accumulation - Class struggle
- b. Malthusian conception of conflict over limited resources
- c. Gender gaps and vulnerable groups at fear of marginalization

### iv - Normative Responsibility of State Pertaining Healthcare and Educational Necessity:

- a. Contradiction with domestic and international commitments.
- b. Privatization and accessibility diminish - core periphery widening
- c. Learning gaps and healthcare disparities long-term implication on national harmony.

### v - Detrimental Effects of Privatization on Environment, Energy and Technology Realms:

- a. Direct correlation between climate change and capitalist growth models.
- b. Energy hikes and industrial costs.
- c. Standard-setting ignorance and prioritization of profit accumulation through technological advancements.

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#### ④ Exploring Alternatives Beyond Privatization:

- i- Thinking Beyond Binary Choices, "Privatize or Not?"
  - a. Lease, Reform, Innovate
- ii- Revisiting State's Role
  - a. Secondary role in innovation, productivity
- iii- Investing in Human Capital
  - a. Institutional reforms and human development accompany - case of India's success.

#### ⑤ Pakistan's Stumbling Economy and Privatization Conundrum:

- i- Privatize on its own 'pace', on its own 'terms':
  - a. East Asian Model of Growth
  - b. Joseph Stiglitz's contextual significance.

#### ⑥ Conclusion:

"Privatization does not mean you take a public institution and give it to some nice person, it means you take a public institution and give it to an unaccountable tyranny." Noam Chomsky's views on privatization captures bleak reality of privatizing notion. While offering efficiency and productivity, privatization simultaneously increase the risks of marginalizing poor and vulnerable sections. Neoliberals, one-window solution to economic woes of the developing countries entail 'Washington consensus' of three pillars: privatization, deregulation and liberalization. However, given the trajectory of last few decades - marked with monetary failure, fiscal uncertainty and economic inequalities - the agenda to privatize 'without limits' as upheld by the WB former chief Mary Shireley, has outrightly proven to be a failure. The detrimental and counter-productive implications of privatizing abruptly include policy-practicality limitations as manifested in case of Iranian Economic Plan 2005-2010 and Russia's privatization reversals in early 2000s. Apart from policy implementation, privatization brews governance challenges, exacerbating social and economic inequalities; healthcare and

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educational disparities ; environmental and technological mishaps. Against the backdrop of counterproductivity of privatization, it appears essential for developing countries to explore policy alternatives - notable among those include reforming state-owned enterprises, revisiting state's role from regulation to innovation, and investing human capital. Pakistan dealing <sup>with</sup> economic stumbling, in this manner could overcome economic challenges by - thinking beyond binary choice of 'to' or 'to-not' privatize, incorporating lessons from South East Asian countries of privatizing at their own terms and ~~own~~ <sup>on</sup> their own pace.

'Privatize everything and anything', 'there is virtually no limitation on what can be privatized' refer to commonly posed mantras by neoliberals theorists and practitioners, contending privatization offers solution, uniquely and solely, to economic challenges of developing world. The conception that anything owned by state is doomed to fail, gained unchallenged momentum in 1990s, with disintegration of Soviet Union and unipolar moment of United States of America. Countries across the globe, including newly defeated Russia, 'East Asian Tiger's and

Latin American, South Asian developing economies - impressed by the Washington's ideological success and evident supremacy - opened the borders of economies for privatization. Narasimha Rao in India, Jiang Zemin in China to Boris Yeltsin in Russia leadership around the world realized the dividends offered by capitalist cum privatization agenda. Pakistan too experienced a wave of opening up and deregulating cycles in 1990s with notable sectors of energy, transport and communication privatizing. However, the results were proven to be degrading, not exceptionally to Pakistan, currency devaluation and fiscal crisis of 1998 in South East Asia. were manifestation of how privatization and deregulation can backfire.

Bangladesh's 15-years old Sheikh Hasena's regime failed terribly, owing predominantly to deeply ingrained crony capitalism that although flourished GDP in statistics but failed to acknowledge gross cost inequalities - manifested in discontent and widespread protest against legitimacy of authorities. Similarly, Egypt's privatization plan launched in 1991 continues

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to face complete implementation challenges given inability to address underlying, deeply-rooted, structural and sectoral issues. Russia's case uniquely posit the cons of abrupt privatization followed by elite captures and failed growth. It has further proven to be cause of governance failures and political disenfranchisement in Russia, paving way for the rise of conservative, ultra-nationalistic leadership. Simply changing the ownership remains insufficient to address and transform economic landscape, burdened with underlying structural issues.

Privatization comes with responsibility to regulation, otherwise corruption, intransparency and monopolies takeovers, undermining the writ of the state and posing governance challenges. Russia's opaque privatization resulted in elite capture that played role beyond economic realm and continues to be a significant player in social and political domains. Domination of those groups in ownership of enterprises; goods and services often lead to massive exploitation and ignorance of those in peripheries. Countries, in comparison to privatize completely have preferred targeted privatization and regulation. In case of Turkey, targeted privatization of

transport and energy sector has generated desirable impacts. On the other hand, Pakistan's contracts with Independent Power Plants (IPPs) - poorly negotiated and contextually ignored regulation - resulted in generating unfavorable outcomes of circular debts and continued import-dependence. The case of Pakistan Telecommunication Company Limited (PTCL) offers insight into how often privatized-ownership creates challenge in both quality and quantum of services. Moreover, exploitation of labor, low-wages, job losses and high inflation constitute inevitable by-products of privatization contributing popular discontent and marginalization of vulnerables.

"The history of all hitherto existing societies is the history of class struggles" writes famously Karl Marx upholding central fact of class struggle as inevitable. Thomas Malthus thesis of limited resources and continued competition leading ultimate conflict over resources refers to another factual reality of struggle over advantage. Privatization which offers solidification of classes into 'owners' and 'workers' further exacerbate the inherent class struggle. In this manner, privatization goes against



The purpose of the creation of sovereign - to ensure equitable distribution of resources among all as only possible way to avoid conflict. Privatization not only undermines the essence of social contract rather contribute in exacerbating ethnic, regional, and gender disparities. Globalization and dependence on FDIs as key pillars of privatization offers gender-based exploitation of labor as evident in Bangladesh's textile industry or Cambodia's services sector. Women and minorities stand at greater risk relative to others of privatization - owing to link between capitalism and patriarchy as upheld by neo-Marxists.

Short-term profit, absence of accountability and commercialization of basic life necessities: Healthcare and education makes privatization contradictory to national progress and development. Although privatization has offered efficiency, accessibility and improved infrastructural facilities in healthcare and educational sectors, it has simultaneously raised concerns pertaining inequality and affordability, commercialization of welfare basics, quality and content variations and regulatory challenges. Therefore, government

regulatory role, need for public sector improvement and social responsibility to encourage outreach to peripheries appear crucial. The necessity in developing world remain relatively more than developed given prevailing grim Human Development indicators. For Pakistan currently ranked 161 out of 164 countries in Human Development Index - education and healthcare facilities remain prerequisite for national harmony and strength.

Privatization's Profit-driven nature, ignorance of environmental standards, profitability of businesses and market concentration of emerging sectors features makes it yet another reason to be detrimental for developing countries. UNFCCC has historically denied direct correlation between capitalist growth models and climate change. Similarly, privatization of energy sector as evident in Pakistan's case has proven to be cost-ineffective with country paying 10-15% of per person income to electricity in comparison to average global 3-5% per person income. Incorporation of tech experts in policy making is

nevertheless need of an hour, however privatization and deregulated technological sector pose bigger challenges. Short-term goals, profit accumulation and adventurist nature of technological enterprises avoiding social responsibility sets it necessary to be regulated domain in coming years. The advent of Artificial Intelligence (AI) has made standard setting and regulatory frameworks more than ever crucial.

The world needs to think beyond privatization as evident by the detrimental implications it pose. China's socialist market model offers applicable solutions to economic challenges, that considers innovative state's role. Marianna Mazzucato upheld similar notion in her work 'State in 21st century' contending the need for "entrepreneurial" thinking with state. Instead of merely changing the ownership, developing world can functionally address economic crisis by revisiting state's role in innovation, investing in human capital and reforming institutions for regulation. Pakistan can learn from South East Asian model of deregulating and privatizing economy after generating favorable grounds ensuring equity, justice, and sustainable growth.